

Fund background

VinaLand Limited (VNL) is a closed-end fund trading on the AIM Market of the London Stock Exchange.

ISIN: KYG936361016

Bloomberg: VNL LN

Reuters: VNL.L

Investment objective

VNL targets medium to long term capital gains with some recurring income through investment in the following real estate sectors: office; residential; retail; township (large scale); and hospitality and leisure.

[Click here for VNL's website.](#)

Fund managing director

David Blackhall

Investment Manager

VNL is managed by VinaCapital Investment Management Ltd ("VCIM" or the "Investment Manager"), a Cayman Islands company. VCIM was established in 2008 and manages three listed and several unlisted investment companies.

[More information about VCIM is available here.](#)

Manager's comment

VNL's unaudited net asset value (NAV) was USD439.0 million or USD0.92 per share at its close of business on 31 December 2013. This represents a decline of USD4.7 million in total NAV; however, there is no change from a net asset value per share of USD0.92 from its close of business on 30 September 2013. VNL's share price increased 6.8 percent to USD0.47 as at 31 December 2013, from a closing price of USD0.44 as at 30 November 2013. As a result, the company's share price to NAV discount is currently 49.2 percent compared to 51.8 percent at the end of November.

On 17 December 2013, VNL announced that its wholly owned subsidiary VinaLand ZDP Ltd., as at the closing of the Placing and Offer, had received valid acceptances in respect of 15 million Zero Dividend Preference Shares ("ZDP Shares"), with a Gross Redemption Yield of 8.0 percent. The ZDP Shares have an issue price of 100 pence and a final capital entitlement of 126.0 pence per ZDP Share. The share listing on the London Stock Exchange was completed on 20 December 2013.

The proceeds will be utilised to assist in refinancing the Company's project level debt facilities as they mature across its development portfolio, to fund potential capital investments in its project companies (as necessary) and for general working capital purposes. This issue has increased flexibility in financing and completion of some projects, contribute additional working capital and diversify funding sources.

Fund update

On 23 December 2013, VNL announced the divestment of its stake in Prodigy Pacific Limited which owns a boutique hotel located in the Hoan Kiem District of Hanoi. The asset is an operating 102 room hotel which also includes a restaurant, fitness centre as well as other amenities and was opened in September 2009. The hotel site which is situated in the Hanoi central business district was acquired by VNL in 2007 to capitalise on the then fast growing tourism business in the capital city of Vietnam. Since the opening of the hotel, the three to four star hotel segments in Hanoi have experienced a significant increase in supply which has negatively impacted the hotel performance. The Company's 100 percent stake in the project resulted in net proceeds of USD1.7 million which is 5.5 percent (USD100,000) below net asset value. As a result of the divestment, the Company's debt from the consolidated balance sheet has been reduced by USD4.0 million and VNL's future funding commitments related to this asset have now been removed.

VNL project revaluations were undertaken for the period ending 31 December 2013 with eight projects appraised by international valuation consultants. Additionally, a further seven projects were also externally appraised as part of the semi-annual update for the interim period. A majority of these projects are located in Ho Chi Minh City and its adjoining provinces, as well as one project located in Hanoi and four projects located in the central region. As a result, ten project valuations were adjusted downward; one remained the same, while the remaining four project valuations were adjusted upward. Overall the real estate revaluations resulted in a combined write up of approximately USD440,000.

Performance summary*

31 December 2013

NAV per share** (USD):	0.92
Change (Quarter-on-quarter)	0.0%
Total NAV** (USD 'm):	439.0
Share price (USD):	0.47
Market cap (USD 'm):	224.2
Premium/(discount)	-49.2%

* Figures in USD. Return percentages are for the period, not annualized

** NAV and NAV per share data are calculated on a quarterly basis

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share	0.0	-11.5	-32.4	-38.7
Share price	15.8	21.4	-52.8	-2.6

Quarterly performance history (% change)

	2013	2012	2011	2010	2009
Q1	-1.0	-1.7	0.7	3.0	-3.3
Q2	-9.7	-4.3	-2.2	-0.7	-9.0
Q3	-1.1	0.0	0.7	3.7	-0.8
Q4	0.0	-6.3	-12.6	-3.5	1.5
YTD	-11.5	-11.9	-13.2	2.3	-11.3

Additional portfolio information

Current assets	31
Divestments	15 full, 1 partial and residential unit sales
Debt	Fund level (ZDPs): 5.6% of NAV Project level (Bank): 15.5% of NAV
Shares outstanding	479,648,227

Macroeconomic update

According to the General Statistics Office (GSO), Vietnam's gross domestic product (GDP) growth reached 6.0 percent in the fourth quarter of 2013, bringing full year growth to 5.4 percent. Evidence of a better growth picture was seen in HSBC's September Purchasing Managers' Index (PMI) rising to 51.5, the first time above a neutral point of 50.0 in five months and this trend continued throughout the final three months of the year. This expansion in manufacturing has mostly been attributed to rising orders and employment rates; and is considered an encouraging sign that Vietnam's economy is gradually getting back on its feet.

The country's foreign direct investment numbers posted some of the highest levels of growth in more than four years, with new commitments reaching USD21.6 billion, an increase of 54.5 percent from a year ago. The majority of new capital (approximately 77 percent) flowed into manufacturing and processing, boding well for long-term production and employment growth in these sectors.

In December, month-on-month the consumer price index (CPI) grew by 0.5 percent, equating to a 6.0 percent increase year-on-year. For the month, a 2.3 percent increase in the price of housing and construction materials led the group, while food and foodstuff prices increased just 0.5 percent due to continued stabilization in global food prices. By spreading out price increases in many administered-price industries and utilities over the year, the government's stabilization policy succeeded in controlling inflation.

In December, the exchange rate rose slightly to VND21,115 per USD, representing a 1.2 percent increase from VND20,855 per USD as at 31 December 2012. The State Bank of Vietnam (SBV) has followed a crawling-peg system since 2011 which has allowed flexibility in varying the official rate to reflect market developments. Additionally, estimated foreign reserves have reached USD32.0 billion, easily covering three months of imports which satisfies the International Monetary Fund (IMF) recommendation on this issue. According to HSBC, foreign reserves could increase by USD10.0 billion over the next two years, which could further advance stability in Vietnam's currency.

Fixed income

Both the primary and secondary bond market rallied in December supported by strong demand from investors for fixed income products. On the primary market, a total of USD814.7 million worth of government and government-backed bonds were issued, an increase of 11.0 percent compared to November. Bonds issued by the State Treasury remained the most favourable and accounted for 78.0 percent or USD635.5 million of total issued volume. Notably, bond yields continued to move lower in December with two- to five-year issues falling by 10 to 25 basis points compared to their last issues in November. It is also worth noting that in December, the Vietnam Bank for Social Policy successfully attracted interest from bond investors after failing to issue any bonds over the previous four months.

In the secondary market, total trading volume for government and government-backed bonds increased significantly to USD2.3 billion for the month of December, 2.5 times more than what exchanged hands in November. This significant increase in demand came as a result of secondary bond yields declining by 20 to 50 basis points for short to medium term bonds.

Macroeconomic indicators

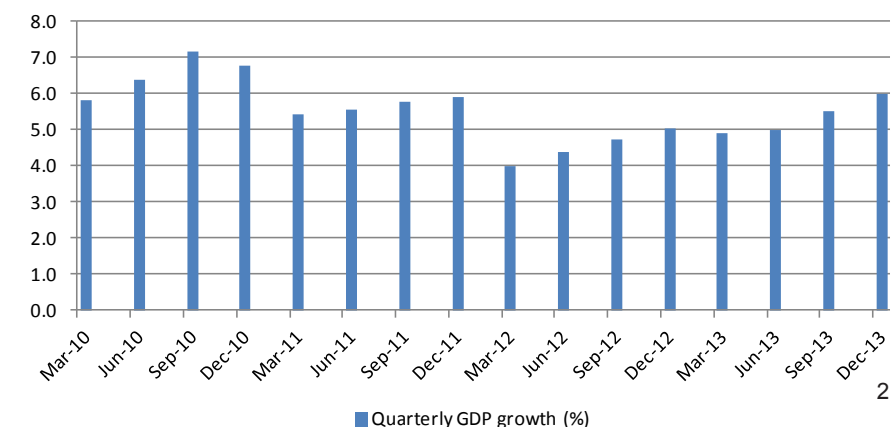
	2012	Dec-13	YTD	Y-o-Y change
GDP growth ¹	5.0%	6.0%	5.4%	5.4%
Inflation	6.8%	0.5%	6.0%	6.0%
FDI (USDbn)	13.0	0.8	21.6	54.5%
Imports (USDbn)	114.3	11.5	131.3	15.4%
Exports (USDbn) ²	114.6	11.6	132.2	15.4%
Trade surplus/(deficit)	0.8	0.1	0.9	
Exchange rate (USD/VND) ³	20,855	21,115	1.2%	1.2%
Bank deposit rate (VND)	8.0%	7.5%	-50 bps	

Sources: GSO, SBV, VCB | 1. Annualized rate, updated quarterly 2. Includes gold 3. (-) Denotes a devaluation in the currency, Vietcombank ask rate

Government bond yields (%)

	1yr	2yr	3yr	5yr
December-13	6.41	6.93	7.39	8.31
November-13	6.70	7.50	7.90	8.65

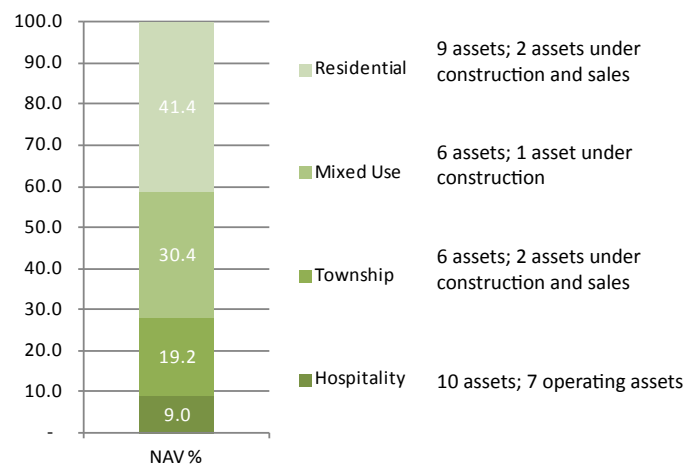
Quarterly GDP growth (%)



Top ten investments

Project	Location	Type	% of NAV
Century 21	South	Residential	15.3
Danang Beach Resort	Central	Residential	12.4
Pavilion Square	South	Mixed Use	8.5
Dai Phuoc Lotus	South	Township	7.2
VinaSquare	South	Mixed Use	6.2
Times Square Hanoi	North	Mixed Use	6.0
Aqua City	South	Township	4.5
World Trade Center Danang	Central	Mixed Use	4.2
Trinity Park	South	Residential	4.1
Green Park Estate	South	Mixed Use	4.1
Total			72.5

Portfolio by sector



Key projects under development

Project	Location	Type	Site Area (ha)
Danang Beach Resort	Central	Residential	260.0
Dai Phuoc Lotus	South	Township	200.7
My Gia	Central	Township	158.0
World Trade Center Danang	Central	Mixed Use	9.0

Total: 4 assets representing a NAV of USD122.5 million

Portfolio breakdown

Portfolio by geographic location	% of NAV
Hanoi region	8.3
Central region	26.3
Ho Chi Minh City region	65.4

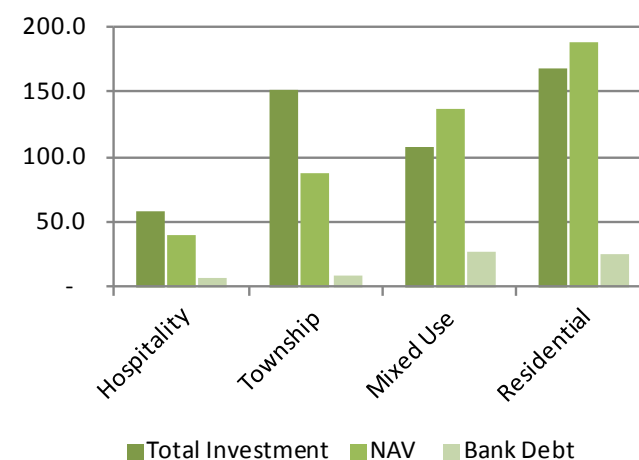
Valuation breakdown	% of NAV
Assets not yet revalued *	8.0
Assets revalued	92.0

Development status	% of NAV
Land banking	7.3
Planning stage	59.0
Development stage	27.8
Operating assets	5.9

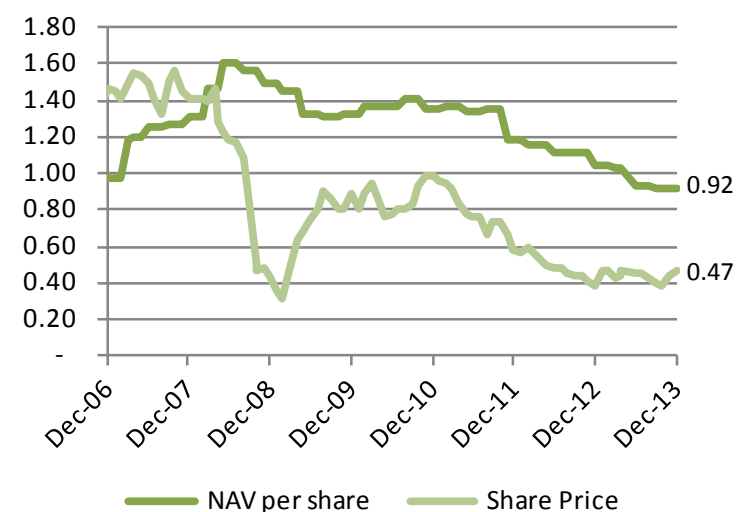
All NAV and NAV per share related data is calculated on a quarterly basis

* held at cost or below cost

NAV by sector



NAV and share price performance



Board of Directors

VNL's Board of Directors is composed entirely of independent non-executive directors.

Member	Role
Michel Casselman	Non-executive Chairman (Independent)
Nicholas Allen	Non-executive Director (Independent)
Nicholas Brooke	Non-executive Director (Independent)
Stanley Chou	Non-executive Director (Independent)
Charles Isaac	Non-executive Director (Independent)

VinaCapital Investment Management (VCIM)

VCIM is the BVI-registered investment manager of VNL.

Member	Role
Don Lam	Chief Executive Officer
Brook Taylor	Chief Operating Officer
David Blackhall	Managing Director, VNL
Anthony House	Deputy Managing Director, Real estate
Oai Nguyen	Deputy Managing Director, Real estate

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Fund summary

Fund launch: 22 March 2006, new three year term commenced 21 November 2012.

Term of fund: Originally seven years, but now subject to shareholder vote for continuation every three years.

Fund domicile: Cayman Islands

Legal form: Exempted company limited by shares

Investment manager: VinaCapital Investment Management Ltd

Structure: Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

Auditor: PricewaterhouseCoopers (Hong Kong)

Nominated adviser: Grant Thornton UK LLP

Fund Administrator: HSBC Trustee (Cayman) Limited

Brokers: Edmond de Rothschild Securities (Bloomberg: LCFR), Numis Securities (Bloomberg: NUMI)

Lawyers: Lawrence Graham (UK), Maples and Calder (Cayman Islands)

Base and incentive fee: The base fee is fixed at USD7.5 million per annum until 22 November 2014, reducing each year thereafter until 22 November 2015. No incentive fees, but the recovery of the accrued incentive fee is linked to distributions to shareholders.

Investment policy: The Fund is now in a cash return period and will not make any investments, except where funds are required for existing projects. The Fund will seek to realise assets in the existing portfolio and continue with the development of selected projects to maximize value.

Investment objective by geography: All existing investments are located in Vietnam. There will be no new investments during the current cash return period.